

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2001-742

November 6 , 2001

CENTRAL MAINE POWER COMPANY  
Request for an Accounting Order Regarding  
Insurance Requirements for Small Renewable  
Generators

ACCOUNTING ORDER  
REGARDING SMALL  
RENEWABLE  
GENERATORS

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WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

We grant Central Maine Power Company's (CMP) request for an accounting order which will allow CMP to defer for future recovery costs that result from CMP's waiver of comprehensive general liability insurance requirements for small renewable generators that interconnect with CMP's transmission and distribution system.

**II. BACKGROUND**

On May 3, 2001, the Joint Standing Committee on Utilities and Energy requested that the Commission undertake an examination of issues affecting the continued viability of small hydro generators, including particularly market barriers. The Committee encouraged the Commission to take actions it deems appropriate to mitigate, remove or otherwise address market barriers that threaten the continued viability of small hydro generators.

In response to the Committee's letter, Commission staff met with several small hydro operators, as well as other interested parties, to determine whether the restructuring of the electric industry has affected the viability of small hydro generators. These discussions revealed that the restructuring of the industry has had a serious impact on the continued viability of small hydro generators that are less than 100 kW. As pre-existing power purchase contracts with the utility expire, small hydro generators are subject to various costs and fees if they desire to sell their output into the competitive electricity market. Revenue that small generators of less than 100 kW can obtain by selling their output at market rates is not sufficient to cover these costs and fees. As a consequence, several small hydro generators have stopped producing electricity after their utility contracts expired.

The primary problem for small generators have been the costs and fees associated with CMP's insurance requirements and hourly meters. Pursuant to a long-standing Commission Order in *Foss Mill Hydroelectric Station/North New Portland Energy Corp.*, Docket Nos. 90-129/90-151(March 6, 1991), CMP waives specific insurance requirements for small generators of 100 kW or less with whom they have power purchase or net billing contracts, leaving the decision as to the appropriate level of insurance to the generator. Additionally, small generators with power purchase or net billing contracts with CMP did not incur any expense associated with hourly meters.

Subsequent to the restructuring of the industry, small generators have two options when their contracts with CMP expire. First, generators may net bill pursuant to Chapter 313 of the Commission's rules. Second, generators may sell into the electricity market. As in the past, generators that net bill are not subject to specific insurance requirements and are not required to have hourly meters. However, under the Commission's net billing rule, generators do not sell their output; rather, the output is used to offset their electricity usage over a rolling 12-month period. Small generators that wish to sell their output into the market are subject to CMP's standard form interconnection agreement for generators of less than 5 MW. For such generators, CMP has adopted a standard of at least \$1 million in comprehensive general liability coverage. In addition, such generators are required to have hourly meters to allow for the regional settlement process.

Thus, generators could avoid the insurance and metering requirements by net billing. However, this is not a desirable option for those who generate significantly more electricity than they consume over a year. Additionally, net billing has a cost in terms of lost utility revenue and increased administrative costs. Based on these circumstances, our staff has had a series of conversations with CMP to determine whether it is feasible to place small generators who would like to sell directly into market in a similar position as net billing generators in terms of costs and fees.

These conversations have resulted in a CMP agreement that will essentially place small generators who sell into the market in the same position as generators who net bill with respect to insurance requirements and metering costs. First, CMP has agreed to waive its insurance requirements for renewable generators of 100 kW or less, subject to being kept whole if such a generator causes damage to CMP's system or to another customer connected to CMP's system for which CMP is held liable. Second, CMP and staff explored various approaches to avoid the need for hourly meters for small generators. However, the additional administrative costs associated with all of these approaches were expected to be greater than the costs and fees associated with the hourly meters. Accordingly, CMP and the staff agreed that the most cost effective approach would be for CMP to simply waive the costs and fees associated with hourly metering for all renewable generator of 100 kW or less.<sup>1</sup>

Consistent with its agreement, on October 24, 2001, CMP filed a request for an accounting order that would permit it to defer all costs (including carrying costs) incurred as a result of its waiver of the insurance requirement for small renewable generators to FERC Account 182.3-Other Regulatory Assets, including all internal costs such as employee costs associated with the repair of CMP facilities and external costs such as legal and engineering costs. Further, CMP asks that it be permitted to recover such costs in an annual ARP proceeding or a distribution rate case, whichever comes first.

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<sup>1</sup> CMP has indicated that its willingness to waive the insurance requirements and hourly meter related charges for small renewable generators is conditioned on FERC not determining that such action would constitute an inappropriate discount, and its policy regarding small renewable generators is subject to revision based on future FERC rules and orders.

The Public Advocate has indicated his general support for the removal of barriers for small generators and for the granting of an accounting order to allow the deferral of costs associated with waiving the insurance requirement.

### III. DISCUSSION

Maine has had a long-standing policy of promoting small renewable generation and that policy was maintained through the restructuring of the industry. 35-A M.R.S.A. §§ 3210, 3302. As mentioned above, this Commission has acted in the past to ensure the viability of small renewable generators by requiring CMP to waive certain fees and requirements and, in our view, it is appropriate to continue to act to remove unnecessary barriers to promote the continued viability of small renewable generation. Accordingly, we conclude that CMP's agreement to waive its insurance requirements and hourly meter related charges for small renewable generators<sup>2</sup> of 100 kW or less promotes State policy and is in the public interest. We, therefore, grant CMP's request to defer for future recovery costs that it incurs that would have otherwise been paid through insurance if the requirement for small renewable generators had not been waived. In doing so, we note that, based on historic experience, it is very unlikely that a small generator of the size applicable to this accounting order will cause significant damage to CMP's system.<sup>3</sup>

To conclude, issues involving small generator interconnections to utility systems are evolving in Maine and will continue to do so over time as distributed generation of various types develop and expand. As a result, the decisions regarding insurance and metering costs discussed in this Order may be re-examined in the future as the Commission explores issues associated with distributed generation more generally.

Dated at Augusta, Maine, this 6<sup>th</sup> day of November, 2001.

BY ORDER OF THE COMMISSION

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Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
    Nugent  
    Diamond

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<sup>2</sup> For this purpose, renewable generation is as defined in 35-A M.R.S.A. § 3210(2)(C).

<sup>3</sup> We also note that CMP carries insurance to cover damages to its system above \$1 million

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5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

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